



STATE BOARD OF EQUALIZATION

August 23, 1966

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Attention: --- --- ---
Assistant Controller

Gentlemen:

This is to advise you of our conclusions with respect to your petitions for redetermination of sales and transportation taxes. We are recommending that you be treated as a co-producer under Business Taxes General Bulletin 61-4 with respect to the television series you produced in association with --- Productions, Inc. Since a corporation, --- Inc. was formed by you and --- Productions, Inc., only for the purpose of effectuating the purposes of the association, we believe it is proper to look through the corporate entity to the contracting parties and treat them as co-producers. In the past, we have treated parties to a joint venture of the production of a film as co-producers even though joint ventures are separate entities under the Sales and Use Tax Law.

We are requesting the auditor to ascertain whether the charges for matte-shot artists should be deleted from the audit. They will be deleted if the auditor finds the matte-shot artists were performing their services at ---'s studio and under ---'s direction and control. In this case, they would be the temporary employees of --- even though they remained on your payroll.

We are also requesting the auditor to determine whether the trailers in question constitute independent productions under the criteria established for television commercials (see Business Taxes General Bulletin 64-5, copy enclosed). We do not believe trailers should be automatically excluded from the category of complete productions because they are mentioned in bulletin 61-4.

As respects the screen test of --- we are recommending that, if it is or has been charged to another --- production, it be deleted from the audit on the basis that it was on the books as an account receivable because of a bookkeeping error.

Finally we are recommending the transportation tax deficiency be redetermined without adjustment. We believe the 5 percent surcharge added to transportation cost billings by the auditor is reasonably calculated to reflect overhead and/or profit which is billed under other classifications. The transportation tax is measured by gross receipts of transportation operations

and not merely cost. Thus, the 5 percent surcharge is used to estimate other amounts received by the taxpayer which are fairly attributable to transportation.

The auditor will schedule these adjustments and inform you of them. After this, the matter will be sent before the board for their consideration. You will receive official notice of their action in due course.

Very truly yours,

John H. Knowles
Associate Tax Counsel

JHK:md

Encl.

cc: Van Nuys – Subdistrict Administrator
Attached are copies of hearing officer's reports date 8-18-66, which have been approved.
The hearing was held in Van Nuys on 6-21-66.
Also attached are the work papers for the periods 1-1-62 to 12-31-64 and
1-1-62 to 3-31-65.